

<i>SERFF Tracking Number:</i>	<i>AGNY-125895166</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>National Union Fire Insurance Company of Pittsburgh, Pa.</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>AIC-08-EO-07</i>		
<i>TOI:</i>	<i>17.1 Other Liability - Claims Made Only</i>	<i>Sub-TOI:</i>	<i>17.1019 Professional Errors & Omissions Liability</i>
<i>Product Name:</i>	<i>Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174</i>		
<i>Project Name/Number:</i>	<i>Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program/AIC-08-EO-07</i>		

Filing at a Glance

Company: National Union Fire Insurance Company of Pittsburgh, Pa.

Product Name: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174 SERFF Tr Num: AGNY-125895166 State: Arkansas

TOI: 17.1 Other Liability - Claims Made Only
Sub-TOI: 17.1019 Professional Errors & Omissions Liability

Filing Type: Rate

SERFF Status: Closed

Co Tr Num: AIC-08-EO-07

Co Status:

Authors: Myron Harry, Walter
Murphy

Date Submitted: 11/21/2008

State Tr Num: EFT \$100

State Status: Fees verified and
received

Reviewer(s): Betty Montesi, Edith
Roberts

Disposition Date: 11/24/2008

Disposition Status: Filed

Effective Date Requested (New): 12/22/2008

Effective Date Requested (Renewal): 12/22/2008

Effective Date (New):

Effective Date (Renewal):

State Filing Description:

General Information

Project Name: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program Status of Filing in Domicile:

Project Number: AIC-08-EO-07

Reference Organization:

Reference Title:

Filing Status Changed: 11/24/2008

State Status Changed: 11/24/2008

Corresponding Filing Tracking Number:

Filing Description:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

National Union Fire Insurance Company of Pittsburgh, Pa. (the "Company") has on file with your Department its FREA Errors & Omissions Professional Liability Rating Plan (the "Plan"). The Company submits for your review and approval

SERFF Tracking Number: AGNY-125895166 State: Arkansas

Filing Company: National Union Fire Insurance Company of Pittsburgh, Pa. State Tracking Number: EFT \$100

Company Tracking Number: AIC-08-EO-07

TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability

Product Name: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174

Project Name/Number: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program/AIC-08-EO-07

a revised rating manual to be used with the Plan.

Please refer to the actuarial materials for information about the rates included in this submission. A corresponding form filing has been submitted under SERFF Tracking No.: AGNY 125895165.

Company and Contact

Filing Contact Information

Myron Harry, myron.harry@aig.com
 175 Water Street - 17th Floor (212) 458-7057 [Phone]
 New York, NY 10038 (212) 458-7077[FAX]

Filing Company Information

National Union Fire Insurance Company of Pittsburgh, Pa. CoCode: 19445 State of Domicile: Pennsylvania
 70 Pine Street Group Code:
 New York, NY 10270 Group Name: Company Type:
 (212) 770-7000 ext. [Phone] FEIN Number: 25-0687550
 ----- State ID Number:

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: Rate filing for one (1) Company - \$100.00
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
National Union Fire Insurance Company of Pittsburgh, Pa.	\$100.00	11/21/2008	24098515

SERFF Tracking Number: AGNY-125895166 State: Arkansas
Filing Company: National Union Fire Insurance Company of Pittsburgh, Pa. State Tracking Number: EFT \$100
Company Tracking Number: AIC-08-EO-07
TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability
Product Name: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174
Project Name/Number: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program/AIC-08-EO-07

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	11/24/2008	11/24/2008

<i>SERFF Tracking Number:</i>	<i>AGNY-125895166</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>National Union Fire Insurance Company of Pittsburgh, Pa.</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>AIC-08-EO-07</i>		
<i>TOI:</i>	<i>17.1 Other Liability - Claims Made Only</i>	<i>Sub-TOI:</i>	<i>17.1019 Professional Errors & Omissions Liability</i>
<i>Product Name:</i>	<i>Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174</i>		
<i>Project Name/Number:</i>	<i>Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program/AIC-08-EO-07</i>		

Disposition

Disposition Date: 11/24/2008

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
National Union Fire Insurance Company of Pittsburgh, Pa.	0.000%	\$0	26	\$40,091	%	%	%

SERFF Tracking Number: AGNY-125895166 State: Arkansas

Filing Company: National Union Fire Insurance Company of Pittsburgh, Pa. State Tracking Number: EFT \$100

Company Tracking Number: AIC-08-EO-07

TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability

Product Name: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174

Project Name/Number: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program/AIC-08-EO-07

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Explanatory Memos and Actuarial Exhibits	Filed	Yes
Rate	Foundation of Real Estate Appraisers (FREA)	Filed	Yes

<i>SERFF Tracking Number:</i>	<i>AGNY-125895166</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>National Union Fire Insurance Company of Pittsburgh, Pa.</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>AIC-08-EO-07</i>		
<i>TOI:</i>	<i>17.1 Other Liability - Claims Made Only</i>	<i>Sub-TOI:</i>	<i>17.1019 Professional Errors & Omissions Liability</i>
<i>Product Name:</i>	<i>Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174</i>		
<i>Project Name/Number:</i>	<i>Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program/AIC-08-EO-07</i>		

Rate Information

Rate data applies to filing.

Filing Method:	Prior Approval
Rate Change Type:	
Overall Percentage of Last Rate Revision:	
Effective Date of Last Rate Revision:	07/18/2007
Filing Method of Last Filing:	

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
National Union Fire Insurance Company of Pittsburgh, Pa.	%	0.000%	\$0	26	\$40,091	%	%

SERFF Tracking Number: AGNY-125895166 State: Arkansas

Filing Company: National Union Fire Insurance Company of Pittsburgh, Pa. State Tracking Number: EFT \$100

Company Tracking Number: AIC-08-EO-07

TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability

Product Name: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174

Project Name/Number: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program/AIC-08-EO-07

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Foundation of Real Estate Appraisers (FREA)	FREA 1-1 to 1-2	Replacement	AIC-06-EO-05 FREA RATING PLAN_2008.pdf FREA RATING PLAN_2008 Redline.pdf

FOUNDATION OF REAL ESTATE APPRAISERS (FREA) ERRORS & OMISSIONS

FREA-1-1

BASE PREMIUM

Limit options below are Per Claim/Aggregate:

LIMIT OF LIABILITY (ALL COVERAGES COMBINED) PER INSURED:	1,000,000	500,000	300,000
Coverage 1a (Real Estate Appraisers)	\$765	\$690	\$655
Coverage 1b (Real Estate Home Inspectors)	\$2760	\$2485	\$2360

DEDUCTIBLE

\$1,000 applicable to all coverage except as noted below.

COVERAGE ENDORSEMENTS

BUSINESS LIABILITY ENDORSEMENT	
<i>Separate \$1,000,000 Per Claim/Aggregate Limit Separate \$500 Deductible</i>	\$50 per Insured

RADON TESTING COVERAGE ENDORSEMENT	
<i>\$1,000,000 Per Claim/Aggregate Limit option above</i>	\$100 per Insured
<i>\$500,000 Per Claim/Aggregate Limit option above</i>	\$85 per Insured
<i>\$300,000 Per Claim/Aggregate Limit option above</i>	\$70 per Insured

WOOD DESTROYING ORGANISM/ INSECT INSPECTION REPORT COVERAGE ENDORSEMENT	
<i>\$1,000,000 Per Claim/Aggregate Limit option above</i>	\$200 per Insured
<i>\$500,000 Per Claim/Aggregate Limit option above</i>	\$175 per Insured
<i>\$300,000 Per Claim/Aggregate Limit option above</i>	\$150 per Insured

INSURED DEFINITION AMENDATORY ENDORSEMENT	
<i>All limit options above</i>	10% of total premium

FOUNDATION OF REAL ESTATE APPRAISERS (FREA) ERRORS & OMISSIONS

FREA-1-2

COVERAGE ENDORSEMENTS (Continued)

ENTITY COVERAGE ENHANCEMENT ENDORSEMENT		
\$1,000,000 Per Claim/Aggregate Limit above \$1,500 Deductible	Membership Size	Premium
	1 – 10 Members	\$3,500
	11 - 25 Members	\$5,000
	26 - 100 Members	\$7,500
	101 - 200 Members	\$10,000
	> 200 Members	\$12,500

EXTENDED REPORTING PERIOD PRICING

CANCELLATION OR NONRENEWAL

The maximum charge for the Extended Reporting Period shall be:

Extended Reporting Period	Maximum Percentage of the last Membership Fee
1 Year	35%
2 Years	50%
3 Years	65%
4 Years	75%
5 Years	100%
6 Years	125%

The above percentages represent the *maximum* percentages that may be charged for the corresponding time period. The underwriter may exercise discretion, based on applicable underwriting guidelines, to calculate ERP premium based on a percentage less than the maximums scheduled above.

FOUNDATION OF REAL ESTATE APPRAISERS (FREA) ERRORS & OMISSIONS

FREA-1-1

BASE PREMIUM

Limit options below are Per Claim/Aggregate:

LIMIT OF LIABILITY (ALL COVERAGES COMBINED) PER INSURED:	1,000,000	500,000	300,000
Coverage 1a (Real Estate Appraisers)	\$765	\$690	\$655
Coverage 1b (Real Estate Home Inspectors)	\$2760	\$2485	\$2360

DEDUCTIBLE

\$1,000 applicable to all coverage except as noted below.

COVERAGE ENDORSEMENTS

BUSINESS LIABILITY ENDORSEMENT		
Separate \$1,000,000 Per Claim/Aggregate Limit	\$50 per Insured	Deleted: 250
Separate \$500 Deductible		
RADON TESTING COVERAGE ENDORSEMENT		
\$1,000,000 Per Claim/Aggregate Limit option above	\$100 per Insured	Deleted: 175
\$500,000 Per Claim/Aggregate Limit option above	\$85 per Insured	Deleted: 150
\$300,000 Per Claim/Aggregate Limit option above	\$70 per Insured	Deleted: 135
WOOD DESTROYING ORGANISM/ INSECT INSPECTION REPORT COVERAGE ENDORSEMENT		
\$1,000,000 Per Claim/Aggregate Limit option above	\$200 per Insured	Deleted: 275
\$500,000 Per Claim/Aggregate Limit option above	\$175 per Insured	Deleted: 250
\$300,000 Per Claim/Aggregate Limit option above	\$150 per Insured	Deleted: 235
INSURED DEFINITION AMENDATORY ENDORSEMENT		
All limit options above	10% of total premium	

FOUNDATION OF REAL ESTATE APPRAISERS (FREA) ERRORS & OMISSIONS

FREA-1-2

COVERAGE ENDORSEMENTS (Continued)

ENTITY COVERAGE ENHANCEMENT ENDORSEMENT		
\$1,000,000 Per Claim/Aggregate Limit above \$1,500 Deductible	Membership Size	Premium
	1 – 10 Members	\$3,500
	11 - 25 Members	\$5,000
	26 - 100 Members	\$7,500
	101 - 200 Members	\$10,000
	> 200 Members	\$12,500

EXTENDED REPORTING PERIOD PRICING

CANCELLATION OR NONRENEWAL

The maximum charge for the Extended Reporting Period shall be:

Extended Reporting Period	Maximum Percentage of the last Membership Fee
1 Year	35 %
2 Years	50%
3 Years	65 %
4 Years	75%
5 Years	100%
6 Years	125 %

Deleted: 75

Deleted: 150

Deleted: 225

The above percentages represent the *maximum* percentages that may be charged for the corresponding time period. The underwriter may exercise discretion, based on applicable underwriting guidelines, to calculate ERP premium based on a percentage less than the maximums scheduled above.

SERFF Tracking Number: AGNY-125895166 State: Arkansas
Filing Company: National Union Fire Insurance Company of State Tracking Number: EFT \$100
Pittsburgh, Pa.
Company Tracking Number: AIC-08-EO-07
TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions
Liability
Product Name: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program 165000174
Project Name/Number: Foundation of Real Estate Appraisers (FREA) Errors & Omissions PL Program/AIC-08-EO-07

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-
Property & Casualty **Review Status:**
Filed 11/24/2008

Comments:

Attached please find a PCTD Transmittal.

Attachment:

PCTD Transmittal - Rates.pdf

Bypassed -Name: NAIC Loss Cost Filing Document
for OTHER than Workers' Comp **Review Status:**
Filed 11/24/2008
Bypass Reason: N/A
Comments:

Bypassed -Name: NAIC loss cost data entry document
N/A **Review Status:**
Filed 11/24/2008
Bypass Reason: N/A
Comments:

Satisfied -Name: Explanatory Memos and Actuarial
Exhibits **Review Status:**
Filed 11/24/2008

Comments:

Attached please find an Explanatory Memorandum and Actuarial Exhibits.

Attachments:

Explanatory Memorandum.pdf

AR-FREA -Actuarial Exs-11-20-2008.pdf

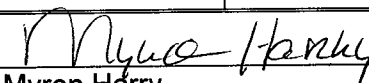
Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
h. Subject Codes		

3. Group Name	American International Group, Inc				Group NAIC #	012
4. Company Name(s)	Domicile	NAIC #	FEIN #	State #		
National Union Fire Insurance Company of Pittsburgh, Pa.	PA	19445	25-0687550			

5. Company Tracking Number	AIC-08-EO-07
-----------------------------------	--------------

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Myron Harry 175 Water Street, 17 th Fl. New York, NY 10038	Filings Analyst	(212) 458 7057	(212) 458 7077	Myron.harry@aig.com
7. Signature of authorized filer				
8. Please print name of authorized filer		Myron Harry		

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	17.1 Other Liability			
10. Sub-Type of Insurance (Sub-TOI)	17.1019 Professional Liability – Errors & Omissions			
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]				
12. Company Program Title (Marketing title)	Neurologists Professional Liability Insurance Program			
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)			
14. Effective Date(s) Requested	New:	December 22, 2008	Renewal:	December 22, 2008
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
16. Reference Organization (if applicable)				
17. Reference Organization # & Title				
18. Company's Date of Filing	November 21, 2008			
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved			

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	AIC-08-EO-07
-----	---	--------------

21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
-----	--

The Company listed in item 4 above is submitting a revised rating plan to be used with their Foundation of Real Estate Appraisers (FREA) Errors & Omissions Professional Liability Program.

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
-----	---

Check #:
Amount:

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

Explanatory Memorandum – Rating Plan Changes
Filing AIC-08-EO-07

This filing amends our FREA Rating Plan for the following changes to the Plan:

1. As part of the negotiation of our renewal agreement with FREA, the rate per insured for the additional, optional coverages is being reduced. The 2008 FREA filing will reflect these agreed-to rates:

BUSINESS LIABILITY ENDORSEMENT	Filed Rate per Insured	Proposed Rate per Insured
<i>Separate \$1,000,000 Per Claim/Aggregate Limit Separate \$500 Deductible</i>	\$250	\$50

RADON TESTING COVERAGE ENDORSEMENT	Filed Rate per Insured	Proposed Rate per Insured
<i>\$1,000,000 Per Claim/Aggregate Limit</i>	\$175	\$100
<i>\$500,000 Per Claim/Aggregate Limit</i>	\$150	\$85
<i>\$300,000 Per Claim/Aggregate Limit</i>	\$135	\$70

WOOD DESTROYING ORGANISM/ INSECT INSPECTION REPORT COVERAGE ENDORSEMENT	Filed Rate per Insured	Proposed Rate per Insured
<i>\$1,000,000 Per Claim/Aggregate</i>	\$275	\$200
<i>\$500,000 Per Claim/Aggregate</i>	\$250	\$175
<i>\$300,000 Per Claim/Aggregate</i>	\$235	\$150

2. Also as part of the renewed agreement with FREA, we have agreed to reduce the maximum percentage of the last Membership Fee that would be charged for the One, Three or Six year ERP. In addition, we are seeking to provide additional ERP options if the member chooses: a Two Year (50%), Four Year (75%) or Five Year (100%) extended reporting period. We have agreed to ERP rates as follows:

Extended Reporting Period	Maximum Percentage of the last Membership Fee
1 Year	35 %
2 Years	50%
3 Years	65%
4 Years	75%
5 Years	100%
6 Years	125%

National Union Fire Insurance Company of Pittsburgh, Pa.
FOUNDATION OF REAL ESTATE APPRAISERS (FREA)

Explanatory Memorandum
ARKANSAS

Exhibit 1: EXPENSE PROVISIONS AND DETERMINATION OF EXPECTED LOSS RATIO

Expense provisions are based on the Other Liability expenses found for National Union Fire Insurance Company of Pittsburgh, Pa. in the Insurance Expense Exhibit. The commission expense is program specific. The expected loss & lae ratio is the complement of the total expenses and profit load. The profit & contingency factor has been calculated based on a target rate of return on equity of 12.5%.

Exhibit 2: INVESTMENT INCOME EXHIBITS

The investment income exhibits are based on American Home/ National Union Group's Annual Statement experience and incorporate the premium and program expense provisions to determine an indicated investment income offset. The calendar year method was used to determine investment income.

Derivation of Expected Loss Ratio

(1) Target rate of return on equity			12.5%
(2) Premium to Surplus Ratio			98.1%
(3) Target rate of return on premium			12.7%
[(1)/(2)]			
(4) Rate of return on premium			16.1%
(5) Target underwriting profit (loss)			-5.2%
[(3)-(4)/.65]			
(6) Total Expenses			30.9%
	a. Commissions	20.00%	
	b. Other Acquisition	5.16%	
	c. General Expenses	2.30%	
	d. Taxes, Licenses & Fees	3.40%	
<hr/>			
(7) Expected Loss Ratio			74.3%
[1-(6)-(5)]			

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

(Explanatory Notes)

OTHER LIABILITY

A. UNEARNED PREMIUM RESERVE

1.	Other Liability Direct Earned Premium for Calendar Year 2007		\$6,984,759
2.	Mean Unearned Premium Reserve [0.680* (1)] (See Notes p. 2)		4,751,151
3.	Deduction for Prepaid Expenses (See notes p. 2)		
	a) Commission and Brokerage	20.00%	
	b) Taxes, Licenses and Fees	3.40%	
	c) 50% of Other Acquisition Expenses	2.58%	
	d) 50% of General Expenses	1.15%	
	e) Total	27.13%	
4.	Deduction for Federal Taxes Payable (See Notes p. 2)		7.0%
5.	Net Amount Subject to Investment Income [(2) x (1.000 - (3) - (4))]		3,129,534

B. DELAYED REMISSION OF PREMIUMS (Agents' Balances)

1.	Direct Earned Premium [(A.1)]	6,984,759
2.	Average Agents' Balance (See Notes pp. 2-3)	0.156
3.	Delayed Remission [(1) x (2)]	1,087,019

C. LOSS RESERVE:

1.	Direct Earned Premium [(A.1)]	6,984,759
2.	Expected Incurred Loss and L.A.E. Reserves	@ ELR: 0.743 5,190,184
3.	Expected Mean Loss Reserves [3.311 x (2)] (See Notes p. 3)	17,187,076

D. SURPLUS

1.	Direct Written Premium	7,247,693
2.	Surplus Subject to Investment [(D.1)/prem to surp]	7,388,067

E. NET AMOUNT SUBJECT TO INVESTMENT: [(A.5) - (B.3) + (C.3) + (D.2)]

26,617,657

F. AVERAGE RATE OF RETURN ON INVESTED ASSETS (See Notes p. 4)

4.92%

G. INVESTMENT EARNINGS ON NET SUBJECT TO INVESTMENT [(E) x (F)]

1,310,575

H. AVERAGE RATE OF RETURN (As % of Direct Earned Premium) [(G) / (A.1)]

18.76%

I. AVERAGE RATE OF RETURN (After Federal Income Taxes) [(H) x 0.858]

16.10%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

OTHER LIABILITY

Line A.1

OTHER LIABILITY direct earned premium for calendar year 2007 as provided by American Home/National Union Group.

Line A.2

The mean direct unearned premium reserve is determined by multiplying the Other Liability direct earned premium in line (A.1) by the countrywide ratio of the mean direct unearned premium reserve to the direct earned premium for 2007. See below for calculation of this ratio. This ratio is based on data for Other Liability from page 15 of the Annual Statement for American Home/National Union Group

	(In 000's)
1. Direct Earned Premium for Calendar Year 2007	\$ 6,984,759
2. Direct Unearned Premium Reserve as of 12/31/06	4,619,684
3. Direct Unearned Premium Reserve as of 12/31/07	4,882,618
4. Mean Direct Unearned Premium Reserve 1/2 [(2) + (3)]	4,751,151
5. Ratio [(4) / (1)]	0.680

Line A.3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of the filed insurance coverage exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedure as shown.

Line A.4

Deduction for Federal Taxes Payable:

Taxable percentage of unearned premium reserves (Tax Reform Act of 1986):	20.0%
Corporate Tax Rate:	35.0%
Total Percentage of Unearned Premium Reserve:	7.0%

Line B.2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premiums beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. (continued)

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

OTHER LIABILITY

Line B.2 (continued)

Agents' balances or uncollected premiums for premiums due less than 90 days are calculated as follows:

	<u>(In 000's)</u>
1. Net Earned Premium for Calendar Year 2007	\$ 21,163,280
2. Net Agents' Balances as of 12/31/06	2,845,895
3. Net Agents' Balances as of 12/31/07	1,895,919
4. Mean Agents' Balances $1/2 \times [(2) + (3)]$	2,370,907
5. Ratio $[(4) / (1)]$	0.112

The above percentage must be multiplied by a factor of 1.389 to include the effect of agents' balances or uncollected premiums overdue for more than 90 days. The factor 1.389 is based on 2007 company data.

Final adjusted Agents' Balance:

0.1556

Line C.2

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing.

Line C.3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line (C.2) by the average countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2006 and 2007 for Other Liability Insurance. This ratio is based on Annual Statement Data.

	<u>(In 000's)</u>
1. Incurred Losses and L.A.E. for Calendar Year 2006	5,303,056
2. Incurred Losses and L.A.E. for Calendar Year 2007	5,299,671
3. Loss Reserves and L.A.E. as of 12/31/05	18,122,092
4. Loss Reserves and L.A.E. as of 12/31/06	18,460,119
5. Loss Reserves and L.A.E. as of 12/31/07	18,978,012
6. Mean Loss Reserve 2006: $1/2 [(3) + (4)]$	18,291,106
7. Mean Loss Reserve 2007: $1/2 [(4) + (5)]$	18,719,066
8. Ratio $(6) / (1)$	3.449
9. Ratio $(7) / (2)$	3.532
10. Average Ratio $1/2 [(8) + (9)]$	3.491
11. Loss reserve for American Home/National Union Group, selected	3.490
12. Estimated Reserve Discount	14.6%
13. Federal Taxes Payable (% of Reserves): $(12) \times .35$	0.051
14. $(11) \times [1.0 - (13)]$	3.311

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

(Explanatory Notes)

OTHER LIABILITY

Line E

The rate of return is the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends, and real estate income due and accrued).

<u>Year</u>	Net Investment Income Earned (In 000's)	Mean Cash and Invested Assets (In 000's)	Rate of Return
2006	2,206,450	57,881,728	3.81%
2007	3,170,433	67,414,018	4.70%
Total	5,376,883	125,295,746	4.26%

<u>Year</u>	Realized Capital Gains (or Losses) (In 000's)	Mean Cash and Invested Assets (In 000's)	Rate of Return
1998-2007	2,630,727	394,860,757	0.67%

Total Rate of Return:

Net Investment Income Earned and Net Realized Capital Gains (or Losses)

4.92%

Line H

The average rate of Federal Income Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2007 for the American Home/National Union Group.

	Rate of Return	Federal Income Tax Rate
Net Investment Income Earned	4.26%	0.109
Net Realized Capital Gains (or Losses)	0.67%	0.350
Total	4.92%	0.142

1.000 - Federal Income Tax Rate

0.858

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

(Explanatory Notes)

OTHER LIABILITY

Line H (continued)

	Investment Income Earned	Federal Income Tax Rate
<u>Bonds</u>		
Taxable	\$ 232,097	0.350
<u>Non-Taxable</u>	<u>1,604,638</u>	<u>0.026</u>
Total	\$ 1,836,735	(A) 0.067
<u>Stocks</u>		
Taxable	\$ 179,196	0.123
<u>Non-Taxable</u>	<u>578,814</u>	---
Total	\$ 758,010	(B) 0.029
<u>Mortgage Loans and Real Estate</u>		
Mortgage Loans	\$ 0	
Real Estate	0	
Collateral Loans	0	
Cash on Deposit	0	
Short Term Investments	20,800	
<u>All Other</u>	<u>867,972</u>	
Sub-Total	\$ 888,773	0.350
Total	\$ 3,483,518	0.131
Investment Deductions	\$ 313,084	0.350
Net Investment Income Earned	\$ 3,170,433	0.109

(A) Assume 50% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at the full corporate income tax rate of 35%. The applicable tax rate is thus 2.6%. $((.50 \times .15 \times .35) = .026)$

(B) 30% of dividend income is subject to the full corporate income tax rate of 35%. Assume 50% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus 12% $((.30 \times .35) + (.50 \times .70 \times .15 \times .35) = .123)$.